

City Council has appointed the accounting firm of KPMG to conduct the 2008 audit and to express an opinion as to whether the consolidated financial statements present fairly the financial position of the City of Surrey as at December 31, 2008 and the results of its operations for the year.

Explanation of Variances between Budget Amounts and Year End Actuals

The financial statements are presented in the format required by the CICA. The following *Consolidated Statement of Financial Activities* documents the City's financial activity for 2008:

NOTE	<i>for the year ended December 31, 2008 (in thousands of dollars)</i>	2008 <i>Budget</i>	2008 Actuals	2007 Actuals
REVENUES				
1	Taxation for City purposes	\$ 211,632	\$ 212,856	\$ 196,324
2	Sales of goods and services	121,133	124,348	119,801
3	Development cost charges	125,075	49,048	79,730
4	Developer contributions	29,410	27,836	31,102
5	Investment income	31,495	26,696	26,798
6	Transfers from other governments	11,440	22,758	12,714
7	Other	37,591	38,005	42,826
		<u>567,776</u>	<u>501,547</u>	<u>509,295</u>
EXPENDITURES				
8	Fire and police protection	130,152	127,281	118,958
9	Water, sewer and drainage	78,619	71,669	70,286
10	Parks, recreation and culture	44,342	46,801	39,330
11	General government	33,868	30,400	25,857
12	Public works	16,088	19,651	17,686
13	Environment and health	18,774	20,013	15,984
14	Planning and development	16,744	16,097	14,594
15	Surrey Public Library	12,309	12,383	11,888
16	Interest, fiscal services and other	1,124	1,355	1,283
17	Capital assets	270,296	174,083	149,029
18	Contribution to Financial Equity (net)	(50,555)	(18,103)	44,400
		<u>571,761</u>	<u>501,630</u>	<u>509,295</u>
19	Transfer from Unappropriated Surplus	<u>(3,985)</u>	<u>(83)</u>	<u>-</u>

The rows in the table have been referenced numerically in the far left hand column. An explanatory note on the variance in each row is provided on the following pages with the notes numbered to match the row to which it refers.

Revenue:

1. Taxation for City Purposes: The increase in taxation revenue is due to the City having received additional grants-in-lieu of property taxes (\$1.2 M).
2. Sale of Goods & Services: The increase in sales revenue is related to higher participation rates and market activity than anticipated during the budget process. Specifically, the City experienced an increase in recreation revenues (\$1.5 M), utility revenues (\$1.5 M) and departmental inquiry, service and application fees (\$0.2 M).
3. Development Cost Charges: The 'Budget' figure includes the development cost charges that are available for the 2008 program (\$79.2 M) as well as the funding that was committed in prior years but not yet spent (\$45.8 M) for a total of \$125.0 million. The 'Actual' column includes only the revenue required to match the cost of the capital constructed (\$49.0 M) in 2008. The variance between actual and budget (\$76.0 M) is due to the timing of construction and the related payments and will be used to complete projects that are currently in progress.
4. Developer Contributions: The detailed breakdown of this variance is as follows:

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
▪ GVTA Contribution	\$ 9.3 M	\$ 18.6 M	\$ 9.3 M
▪ NCP Contributions	\$ 7.4 M	\$ 1.9 M	\$ (5.5)M
▪ Cash-In-Lieu of Parkland	\$ 11.9 M	\$ 3.1 M	\$ (8.8)M
▪ Private Developer Contributions	\$ 0.8 M	\$ 4.2 M	\$ 3.4 M
<i>Total</i>	<i>\$ 29.4 M</i>	<i>\$ 27.8 M</i>	<i>\$ (1.6)M</i>

The GVTA Contribution represents funding that the GVTA provides to the City for capital and maintenance expenditures that the City incurs on the Major Road Network in Surrey. The 'Budget' figure for NCP Contributions and the Cash-In-Lieu of Parkland are determined based on the actual contributions received in the previous year (2007). The 'Actual' column includes only the revenue required to match the cost of capital constructed in 2008. The variances (\$5.5 M for NCP Contributions and \$8.8 M for Cash-In-Lieu of Parkland) are primarily due to the timing of construction of Park Development projects and the purchase of parklands. The increase of \$3.4 million in funding from Private Developers is due to increases in contributions to Traffic and Roads (\$2.0 M) and miscellaneous contributions to facilities, park development, equipment and other projects (\$1.4 M).

5. Investment Income: The negative variance between the 'Budget' figure (\$31.5 M) and the 'Actual' figure (\$26.7 M) of \$4.8 million is due to the budget amount having included an estimate for anticipated interest earned on development cost charges (\$5.4 M), which is actually recorded as deferred revenue. Refinements to the budget have been made in 2009 to eliminate this anomaly in future years. The General Fund earned \$0.7 million more in investment interest than was anticipated during the 2008 budget preparation process.

6. Transfers from Other Governments: The detailed breakdown of this variance is as follows:

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
▪ Traffic Fine Revenue Sharing	\$ 5.7 M	\$ 5.8 M	\$ 0.1 M
▪ Gaming Revenue Sharing.	\$ 4.4 M	\$ 3.8 M	\$ (0.6)M
▪ Other Sundry e.g.: Keep of Prisoners, Summer Student Program, & Libr.	<u>\$ 1.3 M</u>	<u>\$ 2.2 M</u>	<u>\$ 0.9 M</u>
<i>Sub Total</i>	<i>\$ 11.4 M</i>	<i>\$ 11.8 M</i>	<i>\$ 0.4 M</i>
▪ Capital Infrastructure Grants	<u>\$ 0.0 M</u>	<u>\$ 11.0 M</u>	<u>\$ 11.0 M</u>
<i>Total</i>	<i><u>\$ 11.4 M</u></i>	<i><u>\$ 22.8 M</u></i>	<i><u>\$ 11.4 M</u></i>

The \$11.0 million variance in the Capital Infrastructure Grants is mainly due to Provincial cost sharing for the Highway #1/156 Street Underpass (\$10.4 M) Project. The City also received several other miscellaneous grants in 2008 that totalled \$1.4 million.

7. Other Revenue: This includes the following:

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
▪ Permits, Licensing & Fines	\$19.4 M	\$22.9 M	\$ 3.5 M
▪ Leases & Rentals	\$ 4.1 M	\$ 5.3 M	\$ 1.2 M
▪ Penalties & Interest on Taxes	\$ 3.0 M	\$ 3.5 M	\$ 0.5 M
▪ Other	<u>\$ 1.0 M</u>	<u>\$ 2.3 M</u>	<u>\$ 1.3 M</u>
<i>Sub Total</i>	<i>\$27.5 M</i>	<i>\$34.0 M</i>	<i>\$ 6.5 M</i>
▪ Land Sales	<u>\$10.1 M</u>	<u>\$ 4.0 M</u>	<u>\$ (6.1)M</u>
<i>Total</i>	<i><u>\$37.6 M</u></i>	<i><u>\$38.0 M</u></i>	<i><u>\$ 0.4 M</u></i>

The variances in Permits, Licensing and Fines revenue is primarily due to higher than anticipated development activity. The variance in 'Lease & Rentals' is mainly due to increased revenue received from the lease agreement with Orangeville Raceway (\$0.6 M) for the land that business occupies on the Cloverdale Fairgrounds and an increase in rental income.

The 2008 budget for land sale proceeds was based on the 2007 activity as well as proceeds from previous years that had not yet been allocated. In 2008, the City received proceeds from the sale of the following lands:

▪ JT Brown Park Land Exchange	\$ 2.0 M
▪ City Centre Lands	\$ 0.6 M
▪ Road Exchanges	\$ 0.6 M
▪ Parkland	\$ 0.1 M
▪ Other sundry sales	<u>\$ 0.7 M</u>
<i>Total</i>	<i><u>\$ 4.0 M</u></i>

All of the proceeds from the above land sales have been included in the 2009 Five Year Financial Plan adopted by Council in January 2009.

Expenditures

8. Fire and Police Protection: The under expenditures (\$2.9 M) are a result of one-time salary savings in both the Police and Fire Departments as well as operational efficiencies in Fire Services. This funding has been set aside for capital needs outlined in the 2009 Capital Program as adopted by Council in January 2009.
9. Water, Sewer & Drainage: Under expenditures in this area are a result of lower than anticipated GVRD water costs (\$1.9 M), lower than anticipated GVS&DD sewer charges (\$0.6 M), and operating and maintenance efficiencies (\$4.4 M).
10. Parks, Recreation & Culture: The increase in expenditures (\$2.4 M) is due in part to the inclusion of Cultural Capital of Canada expenditures (\$1.4 M) and increased costs due to increased participation rates in community recreation centres. These expenditure increases have been offset by complementary increases in revenues at the community centres.
11. General Government: This includes the following:

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
▪ Mayor, Council, Grants & Initiatives	\$ 7.3 M	\$ 4.6 M	\$ 2.7 M
▪ City Manager (Leg Serv., Legal, Bylaws, Econ Dev)	\$11.5 M	\$11.6 M	\$ (0.1)M
▪ Finance & Technology	\$15.5 M	\$14.8 M	\$ 0.7 M
▪ Human Resources	\$ 2.6 M	\$ 2.8 M	\$ (0.2)M
▪ Other (Charge to Utilities & Conting.)	<u>\$ (3.0)M</u>	<u>\$ (3.4)M</u>	<u>\$ 0.4 M</u>
<i>Total</i>	<u>\$33.9 M</u>	<u>\$30.4 M</u>	<u>\$ 3.5 M</u>

The negative variances noted above have been offset by higher than anticipated revenues in those areas. The positive variances are attributable to the timing of a funding obligation for the Surrey Memorial Hospital expansion (\$1.8 M) and one-time savings due to temporary vacancies.

12. Public Works: These increases are associated with higher workload demands and increased costs due to difficult winter conditions.
13. Environment and Health: The increase in expenditures is associated with the additional costs required to implement the new solid waste and recycling contract. These costs are being offset by recoveries.
14. Planning and Development: These under expenditures (\$0.6 M) are a result of position vacancies.
15. Surrey Public Library: Expenditures exceeded budget (\$0.1 M) in this area due to an increase in salaries; however, these were offset by unanticipated funding through provincial grants.
16. Interest, Bank Charges, Fiscal Services and other: This includes the interest that the City pays to property owners who prepay their property taxes. It also includes service charges and overdraft interest that is charged on the City's bank accounts. The variance between the 'Budget' (\$1.1 M) and the 'Actual' (\$1.3 M) of \$0.2 million is a result of an increase in on-line bank transactions.

17. Capital Assets: The 'Budget' figure includes the capital funds that are available for the 2008 program (\$207.9 M) as well as the funding that was committed to projects in prior years but not yet spent in that the projects were still being constructed (\$62.4 M) for a total of \$270.3 million. The 'Actual' column includes only that amount spent in 2008 (\$174.1 M) thus leaving \$96.2 million to be carried forward to 2009 for those projects that are funded but are still to be completed.

18. Contribution from Equity: The 'Budget' figure includes transfers from other Funds as well as the funding that was committed in prior years but not yet spent. The 'Actual' column (as shown at the bottom of the expenditure section) is the difference between the revenues that were collected in 2008 and transferred to other funds for allocation in future years and the transfers from other funds required to support the 2008 capital expenditures.

The total capital program for 2008 was budgeted at \$270.3 million. As stated earlier approximately 25% of this consists of projects that were authorized in prior years' and are in the process of being completed. The funding for most of these projects requires a transfer from one-time sources such as those indicated below:

▪ Transfers from Statutory Reserve Funds, eg: City Land, Local Imprv't Vehicle & Equip Replac't, Cash-in Lieu of Pkld, NCP's	\$19.2 M
▪ Work in Progress	\$17.0 M
▪ Prior Years' Savings to Capital (General & Utilities)	\$32.2 M
▪ Unspecified Capital (for budget authority only)	<u>\$20.0 M</u>
<i>Sub Total</i>	<u>\$88.4 M</u>

The following transfers were also anticipated as part of the General Operating Budget:

▪ Contributions to Reserves, e.g. Interest & Asset Disposal	(\$22.7 M)
▪ Operating Contributions to Reserves, eg: deprec'n re: vehicles & equip't	(\$ 8.8 M)
▪ Operating Contributions to Appropriated Surplus, eg: Self insurance & election costs	<u>(\$ 6.4 M)</u>
<i>Total</i>	<u>\$50.5 M</u>

Although the budget called for a net contribution from Financial Equity of \$50.5 Million for 2008, the actual activity of the City resulted in a net contribution of \$18.1 Million in equity. The remainder of the variance is a result of funds that are committed to capital projects that are not yet completed, increased contributions to replacement reserves, and reserve fund repayments such as the Accelerated Roads Program.

19. Transfer from Unappropriated Surplus: Although the budget anticipated a transfer of \$4.0 million, it was only necessary to draw \$83,000 from this source.

Follow Up on Prior Year's New Requirements

On January 1st, 2004 the City adopted the recommendations of Section PS 3255 of the CICA Public Sector Accounting Handbook. The policy requires the City to accrue and disclose obligations, using actuarial cost methodologies, for certain post-employment benefits, compensated balances and termination benefits. This includes, as a significant component of the total liability, an estimate of the liability to which the City is exposed related to the employees accrued sick leave benefits.

At the end of 2004 there was an unfunded liability of \$7.0 Million. This recorded liability is an accounting estimate only and includes a combination of financial and non-financial impacts. For instance, there is not necessarily a financial impact to the City for sick leave occurrences. Unless there is an immediate adverse effect on customer service, an employee who is absent due to sickness is not always replaced. As such, the City would not realize this liability to the extent that it is currently recorded. Staff has reviewed the feasibility of allocating additional funding to this liability that would reduce or eliminate the unfunded portion. It has been concluded that the current funded portion of the liability is more than adequate to protect the City against unexpected expenditures in this area. The unfunded portion of this liability therefore remains at \$7.0 Million for 2008. This will continue to be reviewed on an annual basis.

New Reporting Requirements

For the City to prepare financial statements in accordance with Generally Accepted Accounting Principles, the City must adopt new standards as defined within the Public Sector Accounting Handbook. New standards that will affect financial reporting in the future include:

Tangible Capital Assets

Section PS 3150 of the Public Sector Accounting Handbook requires the City to record Tangible Capital Assets at cost less the depreciated value of their useful life. This standard must be fully adopted by January 1, 2009; however the transitional provisions require that the City's progress on implementing this policy be recorded in the 2008 Financial Statements.

During 2006, Staff began to identify the various capital assets that are held by the City. Staff then calculated the original acquisition cost and the depreciated value of each asset. This has been a significant undertaking, given the extent and nature of the City's assets. The valuation of City assets was completed by December 31, 2008 and the process for capturing the information on an on-going basis is currently being implemented. Financial statements for 2009 will include all tangible capital assets as well as their depreciated value.

Financial Statement Presentation

Section PS 1200 of the Public Sector Accounting Handbook will require the City to change the presentation of the financial statements. Some of the significant changes include the return to reporting prepaid expenses and the inclusion of inventory values as well as the incorporation of the reporting requirements associated with tangible capital assets. Staff is currently in the process of gathering the information required to comply with this standard and will incorporate the changes in the 2009 Financial Statements.

Accounting Framework for Government Organizations

The Public Sector Accounting Standards Board (PSAB) has recently issued an "Invitation to Comment" document addressing the accounting framework to be used for various types of government organizations. PSAB will report any changes by the fall of 2009. These pending new requirements may change the way the City accounts for its controlled entities: Surrey Public Library, Logging Ditch Improvement Districts, Surrey City Development Corporation and Surrey Homelessness and Housing Society.

General Comment

It is important to note that the City continues to maintain a strong financial position. The City has no debt. All of the above-noted variances have been incorporated in the 2009 Five Year Financial Plan, as adopted by Council in January 2009. The City's current reserve balances and commitments have been summarized in **Appendix B** to provide further clarification on the City's financial position. Staff will provide Council with financial information on a quarterly basis during 2009 through the Quarterly Financial Reporting process.

Auditors Comments

On the whole, KPMG is satisfied that the City's financial statements have been fairly stated in all material respects. The audit includes the examination, on a test basis, that the controls that the City has put in place are followed and that these controls are functioning as intended. KPMG has identified a few minor issues that warrant the attention of management. Staff will address these matters over the course of 2009. Staff will also continue to monitor the City's financial controls as to their effectiveness in protecting the City's assets and will make adjustments as necessary.

CONCLUSION

The statements that are included in **Appendix A** have been prepared in accordance with Generally Accepted Accounting Principles as prescribed by PSAB of the Canadian Institute of Chartered Accountants (CICA). The City maintains a comprehensive system of internal controls to safeguard City assets and to provide reliable financial information. These statements will be included in the published version of the 2008 Annual Financial Report that will be distributed to Council by June 29th, 2009.

All of the variances outlined in this report are consistent with the information used in the 2009 Five Year Financial Plan, as adopted by Council in January 2009. The City's current reserve balances and commitments have been summarized in **Appendix B**, to provide further clarification on the City's financial position.

Vivienne Wilke, CGA
General Manager,
Finance & Technology

Consolidated Statement of Financial Position

as at December 31, 2008

(in thousands of dollars)

	2008	2007
FINANCIAL ASSETS		
Cash and cash equivalents	\$ 57,577	\$ 12,297
Investments (note 2)	677,106	726,086
Accounts receivable (note 3)	129,599	125,099
	<u>864,282</u>	<u>863,482</u>
LIABILITIES		
Accounts payable and accrued liabilities (note 4)	104,156	102,709
Deposits and prepayments	123,588	121,827
Deferred revenue (note 5)	40,939	39,529
Deferred development cost charges (note 6)	222,368	208,000
	<u>491,051</u>	<u>472,065</u>
NET FINANCIAL ASSETS	373,231	391,417
CAPITAL ASSETS (note 7)	2,367,930	2,193,847
	<u>\$ 2,741,161</u>	<u>\$ 2,585,264</u>
FINANCIAL EQUITY		
Committed funds (note 8)	\$ 132,222	\$ 129,506
Unappropriated surplus (note 9)	10,897	9,165
Appropriated surplus (note 10)	87,488	85,440
Reserve funds	142,624	167,306
	<u>373,231</u>	<u>391,417</u>
CAPITAL EQUITY (note 11)	2,367,930	2,193,847
	<u>\$ 2,741,161</u>	<u>\$ 2,585,264</u>

Commitments and Contingencies (note 12)

Vivienne Wilke, CGA
General Manager,
Finance & Technology Department

Dianne L. Watts
Mayor, City of Surrey

To be read in conjunction with the Notes to the Consolidated Financial Statements

Consolidated Statement of Financial Activities

<i>for the year ended December 31, 2008</i>	2008	2008	2007
<i>(in thousands of dollars)</i>	<i>Budget</i>	<i>Actuals</i>	<i>Actuals</i>
	<i>unaudited</i>		
	<i>(note 1(d))</i>		
REVENUES			
Taxation for City purposes	\$ 211,632	\$ 212,856	\$ 196,324
Sales of goods and services	121,133	124,348	119,801
Development cost charges (note 6)	125,075	49,048	79,730
Developer contributions	29,410	27,836	31,102
Investment income	31,495	26,696	26,798
Transfers from other governments	11,440	22,758	12,714
Other	37,591	38,005	42,826
	<u>567,776</u>	<u>501,547</u>	<u>509,295</u>
EXPENDITURES			
Fire and police protection	130,152	127,281	118,958
Water, sewer and drainage	78,619	71,669	70,286
Parks, recreation and culture	44,342	46,801	39,330
General government	33,868	30,400	25,857
Public works	16,088	19,651	17,686
Environment and health	18,774	20,013	15,984
Planning and development	16,744	16,097	14,594
Surrey Public Library	12,309	12,383	11,888
Interest, fiscal services and other	1,124	1,355	1,283
Capital assets	270,296	174,083	149,029
	<u>622,316</u>	<u>519,733</u>	<u>464,895</u>
Excess (deficiency) of revenues over expenditures	<u>(54,540)</u>	<u>(18,186)</u>	<u>44,400</u>
Increase (decrease) in financial equity	<u>\$ (54,540)</u>	<u>(18,186)</u>	<u>44,400</u>
Financial equity, beginning of year		<u>391,417</u>	<u>347,017</u>
Financial equity, end of year		<u>\$ 373,231</u>	<u>\$ 391,417</u>

To be read in conjunction with the Notes to the Consolidated Financial Statements

Consolidated Statement of Changes in Financial Position

for the year ended December 31, 2008

(in thousands of dollars)

	2008	2007
OPERATING TRANSACTIONS		
Excess (deficiency) of revenues over expenditures	\$ (18,186)	\$ 44,400
Cash generated from (required for):		
Accounts receivable	(4,500)	(33,155)
Accounts payable and accrued liabilities	1,447	19,485
Deposits and prepayments	1,761	34,255
Deferred revenue	1,410	8,538
Deferred development cost charges	14,368	20,041
 Net cash generated from operations	(3,700)	93,564
INVESTING TRANSACTIONS		
Increase in investments	48,980	(120,071)
Increase (decrease) in cash and cash equivalents	45,280	(26,507)
Cash and cash equivalents, beginning of year	12,297	38,804
Cash and cash equivalents, end of year	\$ 57,577	\$ 12,297

To be read in conjunction with the Notes to the Consolidated Financial Statements

Notes to the Consolidated Financial Statements

For the year ended, December 31, 2008 (tabular amounts in thousands of dollars)

General

The Notes to the Consolidated Financial Statements are an integral part of the financial statements. They explain the significant accounting and reporting policies and principles underlying these statements. They also provide relevant supplementary information and explanations, which cannot be conveniently expressed in the Consolidated Financial Statements.

1. Significant Accounting Policies

a) Basis of Accounting

The Consolidated Financial Statements of the City of Surrey are the representation of management prepared in accordance with Canadian Generally Accepted Accounting Principles as prescribed by the Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Accountants. The Consolidated Financial Statements reflect a combination of the City's Operating, Capital and Reserve Funds consolidated with the Surrey Public Library, Surrey City Development Corporation and Surrey Homelessness & Housing Society. Inter-fund transactions, fund balances, and activities have been eliminated on consolidation.

Revenues and expenditures of the City must be in accordance with the Financial Plan adopted by City Council. Management is required to make estimates and assumptions that affect the reported amounts in the financial statements and the disclosure of contingent liabilities. Significant areas requiring the use of management estimates relate to the determination of accrued sick benefits, allowance for doubtful accounts receivable and provision for contingencies. Actual results could differ from those estimates. The Consolidated Financial Statements have, in management's opinion, been properly prepared within reasonable limits of materiality and within the framework of the significant accounting policies outlined in Note 1 for the following funds:

Operating Funds

These funds include the General, Water, and Sewer and Drainage Operating Funds as well as the Surrey Public Library. They are used to record the operating costs of the services provided by the City.

Capital Funds

These funds include the General, Water, and Sewer and Drainage Capital Funds. They are used to record the acquisition costs of capital assets and any related long-term debt outstanding.

Reserve Funds and Other Entities

These funds include Reserve Funds as well as the Surrey City Development Corporation and Surrey Homelessness & Housing Society.

Under the Community Charter of British Columbia, City Council may by by-law establish reserve funds for specified purposes. Money in a reserve fund, and interest earned thereon, must be expended by by-law only for the purpose for which the fund was established. If the amount in a reserve fund is greater than required, City Council may, by by-law, transfer all or part of the amount to another reserve fund.

Notes to the Consolidated Financial Statements

For the year ended, December 31, 2008 (tabular amounts in thousands of dollars)

Trust Funds

These funds account for assets, which must be administered as directed by agreement or statute for certain beneficiaries. In accordance with PSAB recommendations on financial statement presentation for local governments, trust funds are not included in the City's Consolidated Financial Statements. Information relating to the trust funds administered by the City is presented in Note 14.

b) Cash and cash equivalents

Cash and cash equivalents are comprised of cash on hand, demand deposits and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

c) Revenue

Revenue is recorded using the accrual basis of accounting. The City is required to act as the agent for the collection of certain taxes and fees imposed by other authorities. Collections for other authorities are excluded from the City's taxation revenues.

d) Budget Information

Unaudited budget information, presented on a basis consistent with that used for actual results, was included in the City of Surrey 2008 – 2012 Consolidated Financial Plan and was adopted through By-law #16501 on January 14, 2008.

e) Deferred Revenue

The City defers the portion of the revenue collected from permits, licenses and other fees relating to services not yet rendered and recognizes this revenue in the year in which related inspections are performed or other related services are provided.

f) Expenditures

Expenditures are recorded using the accrual basis of accounting. Expenditures are generally recognized as they are incurred as a result of the receipt of goods and services or the incurrence of a liability. Interest expense on debenture and other debt is accrued to December 31, 2008.

g) Replacement of Capital Assets

The replacement of vehicles and equipment is provided for on a straight-line basis in accordance with the estimated useful lives of the assets through equipment usage charges with corresponding transfers to the Equipment and Building Replacement Reserve. Computer system replacements are funded through an annual transfer from each department to the Equipment and Building Replacement Reserve. Except for the City works yard building, a capital consumption or replacement provision for buildings or infrastructure is not charged to City operating departments.

The City's annual operating budget includes a provision for the replacement of existing capital assets and the acquisition of new capital assets. Should the City incur debt related to capital, a provision for debt repayment will also be included. The City has appropriated a portion of operating surpluses for the replacement of capital assets.

A capital ranking model is used to assist City Council in setting priorities for the replacement and acquisition of capital assets.

Notes to the Consolidated Financial Statements

For the year ended, December 31, 2008 (tabular amounts in thousands of dollars)

h) Investments

Investments are recorded at cost, which approximates market value, and are comprised of money market instruments, term deposits and bonds.

i) Capital Inventory

Capital Inventory is recorded at cost, which is not in excess of replacement cost.

j) Employee Future Benefits

The City and its employees make contributions to the Municipal Pension Plan. The City's contributions are expensed as paid.

Sick leave and post-employment benefits also accrue to the City's employees. The liability relating to these benefits is actuarially determined based on service and best estimates of retirement ages and expected future salary and wage increases. The liabilities under these benefits plans are accrued based on projected benefits pro-rated as employees render services necessary to earn the future benefits.

k) Financial Equity, Committed Funds

These balances represent amounts set aside from operations for specific operating and capital projects previously approved by Council (note 8).

l) Financial Equity, Unappropriated Surplus

These balances represent operating surpluses from current and prior years, which have not yet been allocated for specific purposes (note 9). Interest revenue earned on these monies is used to fund operations. The Community Charter does not allow the City to budget for a deficit unless the deficit can be eliminated through the use of prior years' surplus.

m) Financial Equity, Appropriated Surplus

These balances represent amounts set aside by City Council for specific purposes, including contingency provisions for emergencies, revenue stabilization, self insurance claims and for the internal financing of capital projects (note 10).

n) Capital Assets and Capital Equity

Capital assets consist of capital expenditures recorded at cost (note 7). Depreciation is not recorded on capital assets. Capital asset dispositions are not removed from the balance of capital assets. Capital equity reflects the accumulated historical cost of assets acquired, constructed or developed by the City less total outstanding debt. The value of infrastructure constructed by developers and transferred to the City at no cost is not included in Capital equity. The costs for repairs and upgrading which do not materially add to the value or the life of an asset are recorded in the financial statements as operating expenditures.

o) Segment Disclosure

A new requirement for Municipal Governments, PSAB 2700 on Segment Disclosures, is effective for fiscal years beginning on or after April 1, 2007. A segment is defined as a distinguishable activity or group of activities of a government for which it is appropriate to separately report financial information to achieve the objectives of the standard. The City of Surrey has adopted

Notes to the Consolidated Financial Statements

For the year ended, December 31, 2008 (tabular amounts in thousands of dollars)

this PSAB section and has provided definitions of segments used by the City as well as presented financial information in a segmented format in note 18.

p) Future Accounting Changes

i) Tangible Capital Assets

The City is in the process of accumulating information and developing its accounting policies related to its tangible capital assets to comply with the new Public Sector Accounting Board Standard 3150. This new standard will be applicable to the City's 2009 annual financial statements. As at December 31, 2008, the cost and accumulated depreciation have not yet been finalized for the individual classes of tangible capital assets and hence details concerning the major categories of tangible capital assets have not been provided.

ii) Financial Statement Presentation

Section PS1200 Financial Statement Presentation will be applicable to local governments for fiscal years beginning on or after January 1, 2009. The City is currently in the process of gathering the information required to be able to comply with this standard.

iii) Accounting Framework for Government Organizations

The Public Sector Accounting Board (“PSAB”) is currently evaluating the accounting framework for government organizations. The City’s accounting framework may change due to conclusions reached by PSAB, which are expected later in 2009.

2. Investments

	<u>2008</u>	<u>2007</u>
Investments maturing within one year	\$ 294,977	\$ 291,031
Investments maturing within two years	67,213	122,153
Investments maturing from three to seven years	314,916	312,902
	<u>\$ 677,106</u>	<u>\$ 726,086</u>

Average portfolio yield 4.40% (2007 – 4.36%). All investments can be liquidated on demand.

3. Accounts Receivable, net of allowances

	<u>2008</u>	<u>2007</u>
Property taxes	\$ 13,659	\$ 10,972
Utility rates	3,441	2,830
Accounts receivable	54,404	34,999
Due from other authorities	2,644	2,477
Development cost charges	55,395	73,446
Property acquired for taxes	56	375
	<u>\$ 129,599</u>	<u>\$ 125,099</u>

Notes to the Consolidated Financial Statements

For the year ended, December 31, 2008 (tabular amounts in thousands of dollars)

4. Accounts Payable and Accrued Liabilities

	<u>2008</u>	<u>2007</u>
Trade accounts payable	\$ 43,858	\$ 39,085
Post employment benefits (note 15)	16,055	15,388
Contractors' holdbacks	7,374	5,709
Due to Federal Government	20,738	18,283
Due to Province of British Columbia	3,144	1,124
Due to Regional Districts	11,312	16,366
Due to other authorities	1,675	6,754
	<u>\$ 104,156</u>	<u>\$ 102,709</u>

5. Deferred Revenue

	<u>2008</u>	<u>2007</u>
Neighbourhood Concept Plans	\$ 25,631	\$ 22,099
Development/Building Permits	13,494	15,526
Other	1,814	1,904
	<u>\$ 40,939</u>	<u>\$ 39,529</u>

6. Deferred Development Cost Charges

Development Cost Charges (DCC's) are collected to pay for 95% of the general capital costs due to development and 90% of utility capital costs. In accordance with the Community Charter, these funds must be deposited into a separate reserve fund. DCC's are deferred and recognized as revenue when the related costs are incurred.

	<u>2008</u>	<u>2007</u>
Deferred DCC's:		
Drainage/storm water detention	\$ 28,197	\$ 27,413
Arterial roads	53,078	53,538
Collector roads	12,471	13,862
Parkland	101,196	86,187
Water	11,007	10,736
Sanitary sewer	16,419	16,264
	<u>\$ 222,368</u>	<u>\$ 208,000</u>
Deferred DCC's, beginning of year	\$ 208,000	\$ 187,959
Revenue Recognized for General Capital	(37,106)	(63,118)
Revenue Recognized for Water Capital	(3,524)	(6,551)
Revenue Recognized for Sewer & Drainage Capital	(8,418)	(10,061)
Total DCC's recognized as revenue	<u>(49,048)</u>	<u>(79,730)</u>
DCC's levied for the year	58,006	93,963
Investment income	5,410	5,808
Net increase for the year	<u>14,368</u>	<u>20,041</u>
Deferred DCC's, end of year	<u>\$ 222,368</u>	<u>\$ 208,000</u>

Notes to the Consolidated Financial Statements

For the year ended, December 31, 2008 (tabular amounts in thousands of dollars)

7. Capital Assets

	<u>2008</u>	<u>2007</u>
General Capital Fund		
Land	\$ 414,196	\$ 384,311
Buildings	284,428	268,981
Infrastructure	953,620	869,656
Machinery and equipment	144,066	133,131
	<u>1,796,310</u>	<u>1,656,079</u>
Water Capital Fund		
Infrastructure	<u>219,470</u>	<u>206,924</u>
Sewer & Drainage Capital Fund		
Infrastructure	<u>334,198</u>	<u>314,966</u>
Surrey City Development Fund		
Infrastructure	<u>2,448</u>	<u>374</u>
Shared Water Facilities		
Whalley-Clayton Facility	2,524	2,524
Surrey-Langley Facility	12,793	12,793
Other	187	187
	<u>15,504</u>	<u>15,504</u>
	<u>\$ 2,367,930</u>	<u>\$ 2,193,847</u>

8. Committed Funds

	<u>2008</u>	<u>2007</u>
General		
Operating	\$ 14,698	\$ 17,238
Capital	55,289	61,070
	<u>69,987</u>	<u>78,308</u>
Water		
Operating	162	162
Capital	32,643	25,444
	<u>32,805</u>	<u>25,606</u>
Sewer & Drainage		
Operating	885	1,234
Capital	28,058	23,957
	<u>28,943</u>	<u>25,191</u>
Surrey Public Library		
Operating	487	401
	<u>\$ 132,222</u>	<u>\$ 129,506</u>

Notes to the Consolidated Financial Statements

For the year ended, December 31, 2008 (tabular amounts in thousands of dollars)

9. Unappropriated Surplus

	<u>2008</u>	<u>2007</u>
General Operating Fund	\$ 12,319	\$ 10,599
Post Employment Benefits	(6,998)	(6,998)
Water Operating Fund	3,000	3,000
Sewer and Drainage Operating Fund	3,000	3,000
Surrey Public Library	(424)	(436)
	<u>\$ 10,897</u>	<u>\$ 9,165</u>

10. Appropriated Surplus

	<u>2008</u>	<u>2007</u>
General Operating Fund		
Operating contingency and emergencies	\$ 3,535	\$ 3,535
Environmental emergencies	3,076	3,076
Revenue stabilization	5,650	5,650
Self insurance	13,272	15,484
	<u>25,533</u>	<u>27,745</u>
Water Operating Fund		
Operating contingency and emergencies	1,500	1,500
Environmental emergencies	765	710
Revenue stabilization	5,816	6,316
Infrastructure replacement	10,326	10,020
Capital legacy	16,089	15,310
Self insurance	4,381	4,212
	<u>38,877</u>	<u>38,068</u>
Sewer & Drainage Operating Fund		
Operating contingency and emergencies	1,500	1,500
Environmental emergencies	808	391
Revenue stabilization	3,041	1,418
Infrastructure replacement	4,140	2,659
Self insurance	5,486	5,275
Long term improvements	8,103	8,384
	<u>23,078</u>	<u>19,627</u>
	<u>\$ 87,488</u>	<u>\$ 85,440</u>

11. Capital Equity

	<u>2008</u>	<u>2007</u>
General Capital Fund, beginning of year	\$ 1,656,079	\$ 1,543,269
Development cost charges	25,802	6,683
Reserve funds	50,853	70,964
Operating funds	29,931	13,521
Government transfers	10,582	7,248
Other	23,063	14,394
General Capital Fund, end of year	<u>1,796,310</u>	<u>1,656,079</u>
	222,428	207,530

Notes to the Consolidated Financial Statements

For the year ended, December 31, 2008 (tabular amounts in thousands of dollars)

Water Capital Fund, beginning of year		
Development cost charges	3,524	6,551
Reserve funds	152	-
Restricted capital reserves	4,895	248
Operating funds	3,938	5,960
Government transfers	-	386
Other	37	1,753
Water Capital Fund, end of year	<u>234,974</u>	<u>222,428</u>
Sewer & Drainage Capital Fund, beginning of year	314,966	294,019
Development cost charges	8,418	10,098
Reserve funds	121	322
Restricted capital reserves	559	-
Operating funds	9,068	9,341
Government transfers	370	648
Other	696	538
Sewer and Drainage Capital Fund, end of year	<u>334,198</u>	<u>314,966</u>
Reserve Funds and Other Entities, beginning of year	374	-
Operating funds	2,074	374
Reserve Funds and Other Entities, end of year	<u>2,448</u>	<u>374</u>
	<u>\$ 2,367,930</u>	<u>\$ 2,193,847</u>

12. Commitments and Contingencies

- a) The City has significant future contractual commitments for incomplete capital acquisitions and capital construction projects in progress. The City records the capital costs incurred to the end of the year on these projects as capital expenditures. In order to provide for the completion of the projects, unexpended budget money for incomplete projects is appropriated as Committed Funds. The Financial Plan, updated annually, provides for the financing of these and future obligations within the estimated financial resources of the City.
- b) The City, as a member of the Greater Vancouver Water District, the Greater Vancouver Sewerage & Drainage District, and the Greater Vancouver Regional District, is jointly and severally liable for the net capital liabilities of these Districts.
- c) The City is a shareholder of the Emergency Communications for Southwest British Columbia Incorporated (E-Comm) whose services provided include: regional 9-1-1 call centre for the Greater Vancouver Regional District; Wide Area Radio network; dispatch operations; and records management. The City holds 2 Class “A” shares and 1 Class “B” share (of a total of 24 Class “A” and 24 Class “B” shares issued and outstanding as at December 31, 2008). As a Class “A” shareholder, the City shares in both funding the future operations and capital obligations of E-Comm (in accordance with a cost sharing formula), including any lease obligations committed to by E-Comm up to the shareholder’s withdrawal date. As a Class “B” shareholder, the City is only obligated to share in funding of the ongoing operating costs.

Notes to the Consolidated Financial Statements

For the year ended, December 31, 2008 (tabular amounts in thousands of dollars)

- d) The City entered into an agreement with YMCA of Greater Vancouver in regard to the joint development of land and facility in Surrey. The City contributed \$5.5 million towards the completion of the project, which was matched by the YMCA. The City has also secured into an \$8.0 million non-recourse first collateral mortgage for 10 years from the substantial date of completion of the project, September 3, 2002, in favour of the Royal Bank of Canada registered against the land and facility. After 10 years, the mortgage may be increased to 50% of FMV of the facility for the purpose of renovating/expanding, subject to approval of City.
- e) The City and its employees contribute to the Municipal Pension Plan (the Plan), a jointly trustee pension plan. The Board of Trustees, representing plan members and employers, is responsible for overseeing the management of the Plan, including investment of the assets and administration of benefits. The Plan is a multi-employer contributory pension plan. Basic pension benefits provided are defined. The Plan has about 150,000 active members and approximately 54,000 retired members. Active members include approximately 32,000 contributors from local governments.

Every three years an actuarial valuation is performed to assess the financial position of the Plan and the adequacy of plan funding. The most recent valuation as at December 31, 2006 indicated a surplus of \$438.0 million for basic pension benefits. The next valuation will be as at December 31, 2009 with results available in 2010. The actuary does not attribute portions of the surplus to individual employers. The City paid \$9.5 million for employer's contributions to the Plan in fiscal 2008 (2007 - \$8.8 million), employees contributed \$8.0 million to the Plan in Fiscal 2008 (2007 - \$ 7.4 million).

- f) The City insures itself through a combination of insurance policies and self-insurance. The City has a funded self-insurance appropriation (note 10). Based on estimates, this appropriation reasonably provides for all outstanding claims.

There are several lawsuits pending in which the City is involved. The outcome and amounts that may be payable, if any, under some of these claims, cannot be determined and accordingly only those claims in which likelihood of payment is determined to be moderate to high or high have been accrued.

13. Significant Taxpayers

The City is not reliant upon the revenue from any specific large property taxpayers or businesses. Tax revenues received from the five largest taxpayers amount to less than three percent of the City's annual gross revenues.

Notes to the Consolidated Financial Statements

For the year ended, December 31, 2008 (tabular amounts in thousands of dollars)

14. Trust Funds

These funds account for assets, which must be administered as directed by agreement or statute for certain beneficiaries. In accordance with PSAB recommendations on financial statement presentation for local governments, trust funds are not included in the City's Consolidated Financial Statements. Amounts administered by the City as trust funds are as follows:

			<u>2008</u>	<u>2007</u>
Assets				
Cash and short term investments			<u>\$ 2,287</u>	<u>\$ 2,161</u>
Equity				
	Employee Benefits Fund	Cemetery Perpetual Care Fund	<u>2008</u>	<u>2007</u>
Balance, beginning of year	\$ 627	\$ 1,534	\$ 2,161	\$ 2,053
Contributions	-	93	93	41
Interest revenue	25	61	86	84
Employment insurance rebate	75	-	75	69
Benefits purchased	(24)	-	(24)	(28)
Refunded to employees	(104)	-	(104)	(8)
Maintenance Services	-	-	-	(50)
Balance, end of year	<u>\$ 599</u>	<u>\$ 1,688</u>	<u>\$ 2,287</u>	<u>\$ 2,161</u>

15. Employee Future Benefits

The City provides certain post-employment and sick leave benefits to its employees. These benefits include accumulated non-vested sick leave, post-employment service pay and post-retirement top-ups for dental, life insurance and accidental death and dismemberment insurance. The liability associated with these benefits is calculated based on the present value of expected future payments pro-rated for services, and is included in accounts payable and accrued liabilities.

	<u>2008</u>	<u>2007</u>
Accrued benefit liability:		
Balance, beginning of year	\$ 15,388	\$ 14,422
Current service cost	1,087	982
Interest cost	817	695
Amortization of actuarial loss	141	231
Past Service Cost	-	(183)
Benefits paid	(1,378)	(759)
Balance, end of year	<u>\$ 16,055</u>	<u>\$ 15,388</u>

An actuarial valuation for these benefits was performed to determine the City's accrued benefit obligation as at December 31, 2008. The difference between the actuarially determined accrued benefit obligation of \$15.7 million and the accrued benefit liability of \$16.1 million as at December 31, 2008 is an unamortized actuarial gain of \$0.4 million. The actuarial gain is amortized over a period equal to the employees' average remaining service lifetime of 11 years.

Notes to the Consolidated Financial Statements

For the year ended, December 31, 2008 (tabular amounts in thousands of dollars)

	<u>2008</u>	<u>2007</u>
Actuarial benefit obligation:		
Liability, end of year	\$ 16,054	\$ 15,388
Unamortized actuarial loss/(gain)	(380)	1,414
Balance, end of year	<u>\$ 15,674</u>	<u>\$ 16,802</u>

Actuarial assumptions used to determine the City's accrued benefit obligation are as follows:

	<u>2008</u>	<u>2007</u>
Discount rate	5.25%	4.75%
Expected future inflation rate	2.00%	2.00%
Expected wage and salary inflation	3.00%	3.00%
Expected wage and salary range increases	1.00%	1.00%

16. Surrey Homelessness and Housing Society

On June 22nd, 2007, the City of Surrey incorporated the Surrey Homelessness and Housing Society. The purposes of the Society are to raise funds for financing programs and projects that address homelessness in Surrey; conduct and provide financial assistance to homelessness housing initiatives; and manage the disbursements of grants for projects and programs that address homelessness in Surrey. As the majority of members in the Society consist of City officials, the City is considered to have control over the Society's functions and the Society's financial information is fully consolidated with the City.

17. Surrey City Development Corporation

On April 24th, 2007 the City of Surrey incorporated a Development Corporation with broad powers to advance the commercial, industrial institutional and residential development of the City. The City is the sole shareholder of the Development Corporation. As at December 31, 2008, the City advanced \$950,000 as an interest-bearing loan to the Corporation. In accordance with PS 1300, the Corporation has been deemed to be part of the City's Government Reporting Entity and as a result is fully consolidated, as its sole source of revenue comes from the City through the interest-bearing loan.

18. Segmented Information

The City of Surrey is a diversified municipal government institution that provides a wide range of services to its citizens, including Protection Services; Parks, Recreation and Culture Services; General Government Services; Public Works Services; Solid Waste Management Services; Planning and Development Services; Water, Sewer and Drainage Services; and Surrey Public Library Services. For management reporting purposes the Government's operations and activities are organized and reported by Service Areas. Service Areas were created for the purpose of recording specific activities to attain certain objectives in accordance with regulations, restrictions or limitations.

City Services are provided by departments and their activities are reported in these Service Areas. Departments disclosed in the Segmented Information, along with the services they provide, are as follows:

Notes to the Consolidated Financial Statements

For the year ended, December 31, 2008 (tabular amounts in thousands of dollars)

Protection Services – Police Department and Fire Department

The mandates of the Police and Fire Departments are to enforce laws, prevent crime, and maintain peace, order, and security by protecting life, property and the environment through the provision of emergency response, thus ensuring “Safe Homes and Safe Communities.

Parks, Recreation and Cultural Services - Parks, Recreation and Culture Department

The Parks, Recreation and Culture Department is responsible for providing, facilitating the development of, and maintaining high quality parks, recreation facilities, and cultural services.

General Government Services – Mayor & Councillor’s Department, City Manager’s Department, Finance & Technology Department, and Human Resources Department

The Departments within General Government Services are responsible for adopting bylaws; adopting administrative policy; levying taxes; acquiring, disposing and managing City assets, ensuring effective financial management, monitoring performance and ensuring that high quality City service standards are met.

Public Works Services and Solid Waste Management Services – Engineering Department

The Engineering Department is responsible delivery of municipal services (garbage collection, recycling, and transportation systems).

Planning and Development Services – Planning and Development Department

The Planning & Development Department is responsible for preparing land use plans, by-laws and policies for sustainable development of the City and for reviewing and approving new development.

Water, Sewer and Drainage Services – Water Department and Sewer & Drainage Department

The Water, Sewer and Drainage Utilities operate and distribute water, network sewer mains, storm sewers and pump stations.

Surrey Public Library Services

The Surrey Public Library provides access to local and global information through its nine Library branches located throughout the City.

Notes to the Consolidated Financial Statements

For the year ended, December 31, 2008 (tabular amounts in thousands of dollars)

Appendix A - 4

Consolidated Statement of Financial Activities

	Operating Funds				Capital Funds				Reserve Funds and Other	Consolidated				
	Sewer and Drainage		Surrey Public Library		General		Water			Sewer and Drainage		Adjustments	2008	2007
	General	Water	Sewer and Drainage	Surrey Public Library	General	Water	Water	Sewer and Drainage		2008	2007			
<i>for the year ended December 31, 2008</i>	<i>(in thousands of dollars)</i>													
REVENUES														
Taxation, grants-in-lieu, assessments	\$ 415,404	\$ 145	\$ 21,866	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 422,239	
Collections for other authorities	(224,559)	-	-	-	-	-	-	-	-	-	-	-	(225,915)	
Taxation for City purposes	190,845	145	21,866	-	-	-	-	-	-	-	-	-	196,324	
Sales of goods and services	48,604	44,847	30,634	164	-	-	-	-	99	-	-	-	119,801	
Development cost charges	-	-	-	-	-	-	-	-	49,048	-	-	-	79,730	
Developer contributions	-	-	-	-	22,147	-	-	-	4,955	-	-	-	31,102	
Investment income	15,477	2,722	1,961	-	-	38	696	-	6,280	(38)	-	-	26,798	
Transfers from other governments	10,735	-	-	1,071	10,582	-	-	-	370	-	-	-	12,714	
Other	31,511	610	400	529	2,733	-	-	-	4,037	(1,815)	-	-	42,826	
	297,172	48,324	54,861	1,764	35,462	310	1,088	64,419	(1,853)	501,547	509,295			
EXPENDITURES														
Fire and police protection	127,281	-	-	-	-	-	-	-	-	-	-	-	118,958	
Water, sewer & drainage	-	34,780	36,889	-	-	-	-	-	-	-	-	-	70,286	
Parks, recreation and culture	46,801	-	-	-	-	-	-	-	-	-	-	-	39,330	
General government	29,526	-	-	-	-	-	-	-	863	11	-	-	25,857	
Public works	19,651	-	-	-	-	-	-	-	-	-	-	-	17,686	
Environment and health	20,013	-	-	-	-	-	-	-	-	-	-	-	15,984	
Planning and development	16,097	-	-	-	-	-	-	-	-	-	-	-	14,594	
Surrey Public Library	-	-	-	12,383	-	-	-	-	-	-	-	-	11,888	
Interest, fiscal services and other	1,281	-	-	5	-	-	-	-	107	(38)	-	-	1,283	
Capital assets	-	-	-	-	142,046	12,546	19,232	2,074	(1,815)	174,083	149,029			
	260,650	34,780	36,889	12,388	142,046	12,546	19,232	3,044	(1,842)	519,733	464,895			
Excess (deficiency) of revenues over expenditures	36,522	13,544	17,972	(10,624)	(106,584)	(12,236)	(18,144)	61,375	(11)	(18,186)	44,400			
Transfer from (to) operating funds	(8,777)	(1,049)	(895)	10,722	28,115	3,938	9,067	9,659	(50,780)	-	-	-		
Transfer from (to) reserve funds	(9,712)	(550)	(406)	-	78,469	3,675	8,539	130	(80,145)	-	-	-		
Transfer from (to) capital funds	(26,835)	(3,938)	(9,467)	-	-	-	-	(90,685)	130,925	-	-	-		
Increase (decrease) in financial equity	(8,802)	8,007	7,204	98	(4,623)	(538)	(11)	(18,186)	44,400					
Financial equity, beginning of year	109,655	66,674	47,817	(35)	-	6,327	538	160,441	-	391,417	347,017			
Financial equity, end of year	\$ 100,853	\$ 74,681	\$ 55,021	\$ 63	\$ -	\$ 1,704	\$ -	\$ 140,920	\$ (11)	\$ 373,231	\$ 391,417			

Reserves, Contingencies and Surplus Including DCC's

as at December 31, 2008

\$ 000's

	2008 Balance	Water, Sewer & Drainage Funds	Committed to 2009 & Prior Years	Balance Available for Future Years
Statutory Reserve Funds				
Equipment and Building Replacement	41,818		15,302	26,516
Municipal Land	31,355		31,355	0
Park Land Acquisition C/L	3,956		3,789	167
Capital Legacy	36,524		22,352	14,172
Environmental Stewardship	6,425		240	6,185
Local Improvement Financing	12,414		5,735	6,679
Water Claims	1,142	1,142		0
Affordable Housing	9,655		9,655	0
Parking Space	1,095			1,095
Surrey City Development Corporation	-3,349			-3,349
	141,035	1,142	88,428	54,814
Restricted Capital Reserves	1,704	1,704		0
	<u>\$ 142,739</u>	<u>\$ 2,846</u>	<u>\$ 88,428</u>	<u>\$ 54,814</u>
Unappropriated Surplus				
General Operating Fund	12,319		4,077	8,242
Employee Future Benefits	-6,998			-6,998
Water Operating Fund	3,000	3,000		0
Sewer and Drainage Operating Fund	3,000	3,000		0
Surrey Public Library	-424			-424
	<u>\$ 10,897</u>	<u>\$ 6,000</u>	<u>\$ 4,077</u>	<u>\$ 820</u>
Appropriated Surplus (as per Council Adopted Reserve & Surplus Policy)				
Operating Contingency and Emergencies	6,535	3,000	1,000	2,535
Environmental Emergencies	4,649	1,573		3,076
Revenue Stabilization	14,507	8,857		5,650
Self Insurance	23,139	9,867		13,272
Infrastructure Replacement	30,555	30,555		0
Long Term Improvements	8,103	8,103		0
	<u>\$ 87,488</u>	<u>\$ 61,955</u>	<u>\$ 1,000</u>	<u>\$ 24,533</u>
Committed Funds				
General Operating and Capital	70,119		70,119	0
Water Operating and Capital	32,805	32,805		0
Sewer and Drainage Operating and Capital	28,943	28,943		0
Surrey Public Library	487		487	0
	<u>\$ 132,354</u>	<u>\$ 61,748</u>	<u>\$ 70,606</u>	<u>\$ -</u>
TOTAL RESERVES, CONTINGENCY & SURPLUS	<u>\$ 373,478</u>	<u>\$ 132,549</u>	<u>\$ 164,111</u>	<u>\$ 80,167</u>
Deferred Developer Contributions (Gross)				
Drainage/Storm Water Detention	28,197	26,626	1,571	0
Arterial Roads	53,077		53,077	0
Collector Roads	12,471		12,471	0
Parkland	87,438		87,438	0
Park Development	6,306		6,306	0
Water	11,007	10,581	426	0
Sanitary Sewer	16,419	16,419		0
Campbell Heights	7,452		7,452	0
Neighborhood Concept Plans	25,631		25,631	0
	<u>\$ 247,998</u>	<u>\$ 53,626</u>	<u>\$ 194,372</u>	<u>\$ -</u>
GRAND TOTAL	<u>\$ 621,476</u>	<u>\$ 186,175</u>	<u>\$ 358,483</u>	<u>\$ 80,167</u>